

Message Text

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PAGE 01 STATE 136099
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FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA IMMEDIATE
INFO WHITE HOUSE IMMEDIATE IMMEDIATE 0287

S E C R E T STATE 136099

NODIS

FOR AMBASSADOR FROM ASSISTANT SECRETARY HOLBROOKE

E.O. 11652: GDS

TAGS: MASS, ID

SUBJECT: FOLLOW-UP TO VICE PRESIDENT'S VISIT TO INDONESIA:
LOS

REF: A. JAKARTA 6740 B. JAKARTA 6778

1. WE ARE DISTURBED AT THE REPORTS THAT INDICATE THE
GOI HAS DEVELOPED EXAGGERATED EXPECTATIONS AS TO WHAT IT
CAN EXPECT IN THE WAY OF FMS AS A RESULT OF THE VICE
PRESIDENT'S CAREFUL COMMENTS ON THE ISSUE. WE ARE TRYING
TO DO OUR BEST, WITHIN VERY TIGHT LIMITS WHICH ARE
DESCRIBED BELOW, TO OBTAIN MORE FMS FOR INDONESIA IN THE
YEARS AHEAD, BUT THERE IS AND CAN BE NO REPEAT NO CER-
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TAINTY. WE HAVE ALSO ATTEMPTED TO DAMPEN ANY GOI OVER-
EXPECTATIONS AT THIS END, BOTH WITH AMBASSADOR ASHARI
AND WITH LIM BIAN KIE. WE TRUST THAT YOU ARE USING INFOR-
MATION ALR'ADY SENT TO EMBASSY JAKARTA AS WELL AS THIS
CABLE TO CONVEY A REALISTIC PICTURE OF THE SITUATION TO KEY
GOI OFFICIALS. WE ARE ALSO SENDING SEPTTEL A DSAA PROJEC-
TION OF PAYMENT SCHEDULES AND POTENTIAL FMS SHORTFALLS/

REQUIREMENTS UNDER VARYING ASSUMPTIONS.

2. SINCE VICE PRESIDENT'S TRIP, HOUSE SUBCOMMITTEE (LONG) HAS REPORTED OUT APPROPRIATIONS BILL WHICH WOULD CUT WORLD-WIDE FMS CREDIT AVAILABILITY FOR FY 79 BY 20 PERCENT EXCLUDING ISRAEL. WHAT WAS ALREADY TIGHT, AS PROPOSED BY ADMINISTRATION, APPEARS LIKELY TO BE CONSIDERABLY TIGHTER, ALTHOUGH EVENTUAL OUTCOME OF SECURITY ASSISTANCE AUTHORIZATION NOT YET CLEAR. WE WILL MAKE A MAJOR EFFORT WITH THE SENATE AND IN CONFERENCE TO MINIMIZE CUTS. IF THEY DO OCCUR, WE WILL FACE A DIFFICULT PROBLEM IN EVEN RETAINING WHAT WE HAVE REQUESTED IN FY 79. IN ADDITION TO INDONESIA, THERE ARE OTHER HIGH PRIORITY AND LARGE CLAIMANTS (SOME WITH TREATY COMMITMENTS ON AID) E.G., KOREA, SPAIN, JORDAN, GREECE AND TURKEY. IT WOULD BE UNWISE, THEREFORE, FOR EITHER DEPT OR EMBASSY TO BE OVERLY OPTIMISTIC. IT IS ALSO QUITE UNCERTAIN WHEN WE WILL HAVE A CLEAR PICTURE OF EVEN THE FY 79 TOTAL, NOT TO MENTION FUTURE YEARS.

3. WE SUSPECT THAT INDONESIAN PROPENSITY FOR INDIRECTION AND VAGUENESS MAY HAVE LED THEM TO BELIEVE VICE PRESIDENT'S STATEMENT IMPLIED MORE THAN HE ACTUALLY SAID AND/OR THAT OUR GENERAL STATEMENT IS BEING TESTED. IN EITHER EVENT, CURRENT TIGHTNESS OF FMS CREDITS IS AN OBJECTIVE AND INCREASINGLY STARK FACT. EVEN SO, INDONESIA NOW RANKS EIGHTH WORLDWIDE
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IN FMS CREDIT REQUESTED BY ADMINISTRATION FOR FY 79 (AFTER ISRAEL, KOREA, TURKEY, GREECE, SPAIN, JORDAN AND MOROCCO) WHICH CERTAINLY INDICATES USG INTEREST AND CONCERN. ITEMS REQUESTED BY INDONESIA FROM USG OR US SOURCES ARE ALSO IN VIRTUALLY OR NEARLY ALL CASES LEGITIMATE AND NOT PART OF A BLOATED SHOPPING LIST. IT IS NOT, HOWEVER, AUTOMATICALLY THE CASE THAT USG APPROVAL OF US SOURCE PROCUREMENT NECESSARILY MEANS THAT CREDIT TO FINANCE TRANSACTIONS WILL OR MUST BE AVAILABLE FROM USG. THERE REMAINS POSSIBILITY, INDEED LIKELIHOOD, THAT SOME OF PRIORITY ITEMS INDONESIA WOULD WISH TO OBTAIN FROM US, OR PORTIONS OF THEM, MAY HAVE TO BE FINANCED BY OTHER MEANS.

4. WE RECOGNIZE THIS MESSAGE IS CAUSE FOR CONCERN. WE THINK IT IMPORTANT, HOWEVER, THAT INDONESIANS NOT CONVINCE THEMSELVE THAT VICE PRESIDENT'S TRIP PROVIDED A COMMITMENT TO MEET THEIR FULL FINANCING NEEDS. WE WILL BE WORKING URGENTLY ON THIS PROBLEM, WILL DO THE BEST WE CAN FOR INDONESIA, AND SHARE YOUR EVALUATION OF THE IMPORTANCE OF OUR RESPONSIVENESS TO SUHARTO'S PRIORITY REPEAT PRIORITY DESIRES. HOWEVER, ANY EXAGGERATED EXPECTATIONS BY GOI WOULD SERIOUSLY COMPLICATE SITUATION AND SHOULD, TO EXTENT

POSSIBLE, BE HEADED OFF OR DEFUSED. AS TO SUHARTO'S REAL EXPECTATIONS, WE WOULD WELCOME YOUR EVALUATION OF REPORT CITED IN STATE 127388 THAT SUHARTO BELIEVES F-5'S AND A-4'S ARE MINIMUM NEEDED. AS INDICATED SEPTEL, PRESENT PROSPECTIVE FMS SCHEDULE WOULD COVER THIS (EXCEPT FOR A-4 OVERHAUL), IF JUST BARELY.

5. WE WOULD BE HAPPY TO SEE BENNY MURDANI IN WASHINGTON TO DISCUSS BROAD RANGE OF USG-GOI RELATIONS, INCLUDING FMS BUT SEE PROBLEMS IN HIS COMING FOR PURPOSE OF PRESSING US ON FMS SINCE THERE IS ALMOST NOTHING HE COULD ACCOMPLISH AT THIS TIME. VANCE

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